



Tahoe Donner Association  
Treasurer's Report  
Third Quarter 2023  
November 17, 2023

# Introduction

- This presentation is a brief update on the status of the Tahoe Donner Association (“TDA”, or the “Association”) cash and investment portfolio as of September 30, 2023.
- The purpose of the Association’s investment portfolio is to provide funds to support (i) current operations, and (ii) the Association’s longer-term needs for renovation, replacement, improvement and expansion of TDA amenities and physical plant.

# Summary

- The TDA cash and investment portfolio as of September 30, 2023, continues to be:
  - Comprised of very liquid, easily accessible investments;
  - Invested across a variety of conservative instruments including US Treasuries, money market funds, highly-rated US corporate and municipal bonds, CDs, and cash deposits at banks; and
  - Is fully compliant with the TDA Investment Policy.
  
- Overall, your Association is in very strong financial condition. Since the last report, we have
  - Continued to extend maturities given the rising rate environment;
  - Increased investment returns; and
  - Maintained our keen focus on credit quality.
  
- Our combined capital funds (Replacement Reserve, New Equipment and Development Funds) stand near the highest levels in the Association's history; we are well prepared for renewal of our ageing amenities.

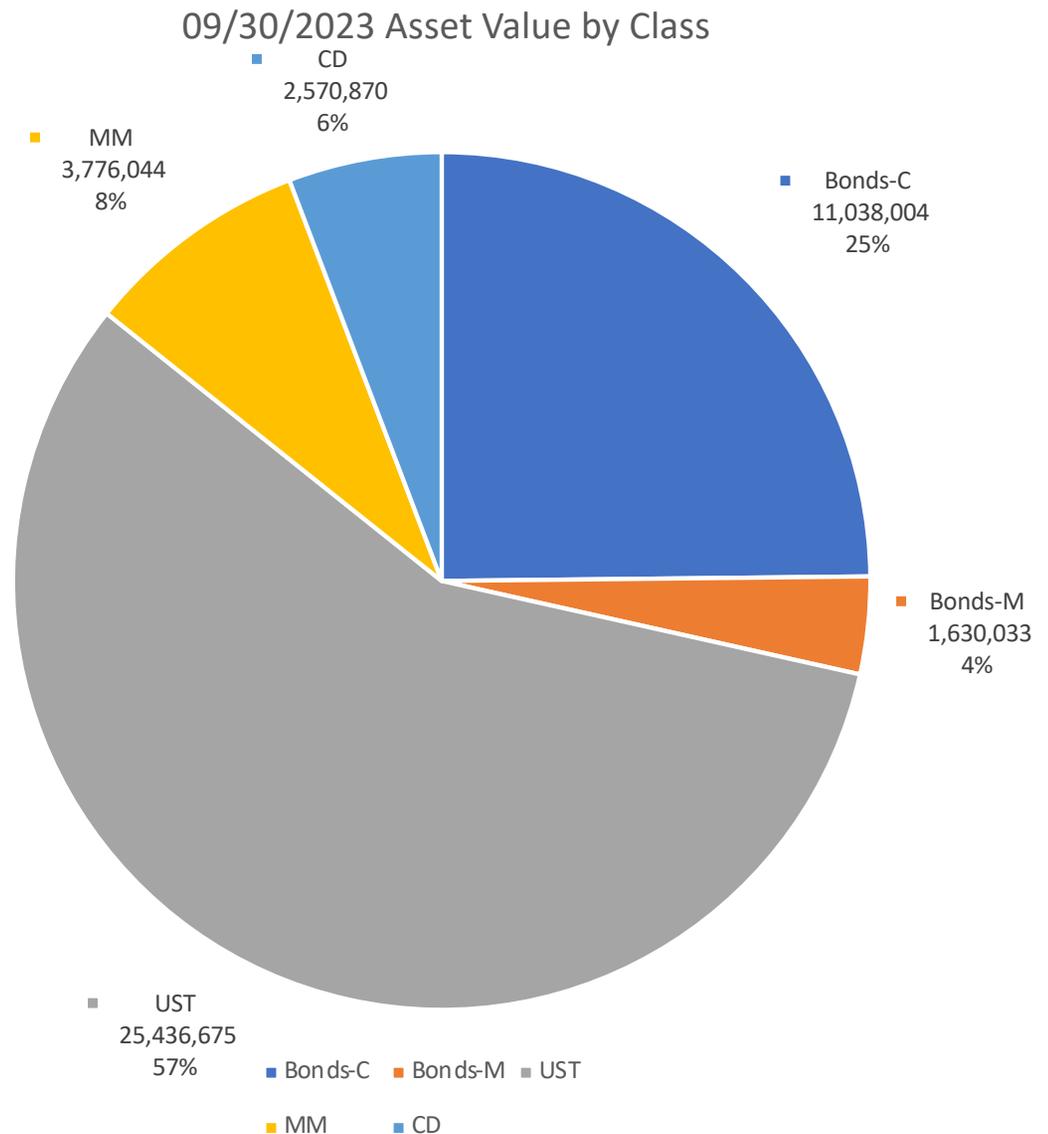
# Cash and Investments - Fund Structure

- The Operating Fund accounts for the regular revenue and expense activities of the Association. Operating Cash is a subset of the Operating Fund.
- Three other funds, collectively referred to as our Capital Funds, support the Association’s longer-term needs for maintenance, refurbishment and replacement of our plant and equipment.

Fund	9/30/23 (\$)	%	12/31/22 (\$)	%	12/31/21 (\$)	%
Operating	4,562,619	10.3	2,916,231	7	4,099,483	12
Replacement Reserve	20,609,824	46.4	16,909,344	42	15,752,907	44
Development	16,630,932	37.4	12,714,891	31	10,616,925	30
New M&E	77,379	0.2	269,669	1	315,824	1
Operating Cash	2,570,870	5.8	7,923,886	19	4,707,276	13
<b>Total</b>	<b>44,451,625</b>	<b>100</b>	<b>40,734,020</b>	<b>100</b>	<b>35,492,415</b>	<b>100</b>

# Asset Allocation and Credit Quality

- The TDA investment portfolio continues to be invested in extremely safe, highly liquid instruments consistent with our “buy and hold” fixed income approach.
- Nearly 60% of the portfolio is invested in US Treasury securities as compared to 46% at 12/31/22.
- Our exposure to highly rated corporate and municipal securities (representing 25% of the portfolio) is about the same as at 12/31/22.
- 100% of our bond portfolio has at least one credit rating of A- or higher.



# Portfolio Maturity Profile

- Market interest rates declined sharply in 2020 and 2021 due to the COVID-19 pandemic.
- Throughout 2022 and into 2023 market interest rates increased steadily due to Federal Reserve Bank tightening. Since January 2022, the yield on 13-week US T-Bills has increased from 0.09% to to 5.40%.
- Over the past 12 months we have gradually moved funds into longer-dated investments to increase investment income. The estimated weighted average maturity of the portfolio at 9/30/23 is approximately 349 days compared to 179 days at 12/31/22 (includes operating cash as an overnight investment).
- From July through the end of September 2023, TDA staff re-invested \$15.5 Million into U.S. Treasury, municipal and corporate securities with a weighted average maturity of approximately 9 months and a weighted average yield of 5.25%.

# Investment Returns

- TDA's investment income in the nine months ended 9/30/23 increased handsomely as compared to 2022. Investment income year to date was \$1.07 MM.
- Year to date through September 30, the annualized return on the average portfolio (net of operating cash) was 3.84% vs 1.34% for all of 2022.
- Market conditions permitting, the portfolio yield will continue to increase as we transition maturing investments into higher yielding instruments while remaining compliant with our conservative investment policy.

# Issues and Opportunities

- Evaluate opportunities to lengthen the investment portfolio's weighted average maturity to drive higher income, while maintaining our strong focus on credit quality.
- Complete the bidding process on the replacement ski lodge project (to determine expected final cost), review and amend, as appropriate, the Board's April 2022 project approval, and refine our funding plan, if necessary.
- Over the next 6-9 months, create new TDA corporate policies that will govern how and when we accumulate and expend our capital funds especially given new Community Associations Institute ("CAI") guidelines on reserve study standards.
- Focused planning now will allow us to replace ageing amenities while responsibly managing the growth rate of the the Annual Assessment.